

**STATEMENT BY HON. JEREMIAH S. SUMARI (MP)
DEPUTY MINISTER FOR FINANCE AND ECONOMIC
AFFAIRS AT THE LAUNCH OF STANBIC BANK HOME
LOANS PACKAGE ON 13TH MAY 2008**

Distinguished ladies, and gentlemen, I regard it both a privilege and duty to be here to officiate at this launching of a very important new product of the Stanbic Bank, the Home Loans Product. I thank the Bank for the invitation.

Distinguished ladies and gentlemen, as we know, a modern and efficient financial sector is a powerful contributor to economic growth and development. There is evidence to suggest that financial sector development is important for sustained growth and poverty reduction, and that without it development

may be held back, even if other conditions are met. Indeed, one may also rightly say that an efficient financial sector is a prerequisite for rapid growth of a market based economy.

Tanzania's main challenge of eradication of poverty and achieving the Millennium Development Goals requires accelerated and sustained economic growth. In fact, Tanzania needs sustained growth of at least 10% per annum if it is to achieve the targets as set out in the Country's Vision 2025. Against this challenge, real GDP growth reached 7.3 percent in 2007. To scale up growth, we need to facilitate the operation of those sectors and players that contribute to faster but broad based growth in the economy.

It is now widely accepted that the private sector must be the engine of growth, and that governments must work to create the right enabling environment

for private sector development. By facilitating transactions and making credit and other financial products available, the financial sector is a crucial building block for private sector development. It can also play an important role in reducing risk and vulnerability, and increasing the ability of individuals and households to access basic services like education, health, water and housing, thus having a more direct impact on poverty reduction. Likewise, by reducing transactions costs, facilitating inward investment, and making capital available for investment in better technologies, the financial sector can promote technological progress, thus increasing productivity, and improving resource utilization. The financial sector, operated on market principles is also a good tool in securing efficient resource allocation, ensuring that projects with the highest possible returns get the needed resources. It does not need an

economist or bank expert to tell you that this makes a lot of sense, and it is the way it should be.

Wider access to financial services, and particularly the banking sub-sector, would enable the poor to draw down accumulated savings and/or borrow to invest in income-enhancing assets including human assets; such as health, housing and education, and start micro-enterprises. It therefore contributes in generating employment, increase in incomes and reduction of poverty.

Distinguished ladies and gentlemen, the Government recognizes the crucial role that financial sector plays in fostering economic growth and poverty reduction. The Government has therefore been implementing comprehensive financial sector reforms aiming at increasing the sector's contribution to economic growth and poverty reduction. As a result

of the reforms and the liberalisation processes, the sector is growing both in breadth, as manifested by the increasing number of financial institutions and their branch networks, and in depth, as reflected by the growing range of financial products and services in the market. The sector, however, remains dominated by a banking sector that is concentrated in large towns. Large sections of our population remain unbanked, and have no access to any form of modern financial services.

Consequently, the Government and other stakeholders are implementing a second generation of Financial Sector Reform Programme to strengthen the contribution of the financial sector to investment and growth. In 2006, the Bank of Tanzania Act and the Banking and Financial Institutions Act were passed by the Bunge. The legislations reinforce the Central Bank

autonomy and accountability and strengthen the legal framework for the sector. In April this year, the Financial Leasing Act 2007 was passed by the Bunge.

Another of the important outcomes of the Second Generation of Financial Reforms is going to be the enactment this year of a Mortgage Finance Bill. A draft Unit of Titles Bill, as well as a draft miscellaneous Bill to amend four laws, namely, the Land Act 1999; the Land Registration Act; the Civil Procedures Act; and the Magistrate Court Act have already been prepared. Mortgage financing is important for improving the affordability and access to decent housing, since most people can not afford to finance construction or buying of houses from their own incomes. Without long-term financing options from the financial institutions, decent housing will remain a pipe dream for most Tanzanians.

Distinguished ladies and gentlemen, according to the United Nations Commission on Sustainable Development, , the world population is expected to grow from about 6 billion to 9 billion people over the next 50 years. Virtually all of that growth is expected to take place in the cities of the developing world, including Tanzania and notably Dar es Salaam. One of the daunting challenges therefore is finding strategies and means of providing adequate decent and affordable housing for the rapidly growing population and cities. Indeed, one of the targets for the Millennium Development Goals include achieving a significant improvement in the lives of at least 100 million slum dwellers by 2020, as proposed by the *Cities without Slums Initiative*. The challenge is more critical in Sub-Saharan Africa due to limited governments' financial resources, low saving rates,

undeveloped mortgage markets and poor land-use planning.

Normally, in providing access to decent housing, the housing finance debate concentrates on a consideration of the role of government in housing the poor while also exploring innovation in financial mechanisms and their effect on housing affordability. The discussion around assets includes a focus on property markets and how they function, and the role of lenders as well as governments in enhancing asset worth. Invariably, both debates end up focusing on the mortgage instrument as arguably the most efficient instrument for large scale capital investments in property, and how this might be made to work for low income households.

Distinguished ladies and gentlemen, one of the most valuable lessons that people have learnt about

development is the importance of partnership among the public sector, businesses or private sector as commonly referred to, and the civil society in accelerating the development process. To achieve increased access to decent housing, therefore, Tanzania requires solutions that bring in all sectors including, more importantly, the banking sub-sector.

I would like to commend the Stanbic Bank for the innovative home loans product which will significantly contribute in improving access to decent housing in Tanzania. The move is timely, given the rapidly growing population and the resultant rising demand for housing facilities. The Stanbic package will enable beneficiaries to spread housing costs overtime, and thus enable those who would have otherwise not been able to finance their housing needs through their own incomes or savings.

The fact that the private sector and individual households need to play a bigger role in mortgage financing is widely acknowledged. However, mortgage financing is hardly a panacea, especially given the problem of reaching meaningful scale. And more importantly, mortgage financing needs to be built into a context where its usefulness can be maximized. It will be more effective when combined with policies that increase the incentives of households to make maximum possible inputs into solving their own housing problems. Major synergies can emerge when it is combined with secure land title, and basic infrastructure provision in order to maximize household incentives to save and borrow. The Government is therefore taking several measures to ensure smooth implementation by private sector initiatives, such as mortgage financing. These measures include the formalization and registration of

informal assets such as customary land plots and improvement of infrastructure such as roads and water systems. Land survey and the provision of site services are also being scaled up.

As Government strives to improve the environment for private sector development, including the banking sector, we urge banks to support Government's efforts in accelerating growth and reduce poverty in rural areas. Particularly banks, which mostly concentrate in urban areas, are urged to extend their operations to rural areas where they are thirst for untapped financial services.

In concluding, *Ladies and Gentlemen*, let me once again congratulate Stanbic Bank of this important home loan product, and I call upon other banks and financial institutions to join in.

The Government is genuinely pleased with Stanbic's initiative of providing home loans which will inevitably stimulate growth and the supply of decent homes in Tanzania, and we are therefore looking forward to the successful implementation of the product.

Distinguished, ladies and gentlemen, it is now with great pleasure and honour that I declare the Stanbic Bank Home Loans Product officially launched.

Thank you for your attention.